

BUDGET TRANSMITTAL LETTER



CITY OF
CHULA VISTA

May 22, 2003

Honorable Mayor and Members of the City Council:

To follow is the fiscal years 2004 and 2005 Capital Improvement Program (CIP) that was developed with two main goals in mind. The first was to incorporate the City Council's strategic themes into the programming of funds for capital projects. The program sought to balance both the types of projects and the geographical locations of where projects would occur to best meet the needs of the City and its residents, businesses and visitors.

Significant funding was dedicated to on-going infrastructure rehabilitation projects. These include streets, sidewalks, sewers and storm drains. These projects occur on a citywide basis and are part of a comprehensive process that the City performs every year to assess which facilities need attention the most. Of particular note in the CIP for fiscal year 2004 is the significantly larger scope of the Corrugated Metal Pipe (CMP) Rehabilitation Program. This project directly relates to Council's desire to increase public safety throughout the City. Additionally, the CIP also includes a large Western Chula Vista Infrastructure Financing Program for a variety of projects in the western portion of the City. This program is described in significant detail later in this document.

The second goal was to make the actual CIP document more user-friendly and integrated into the City's overall budget program. To make the document more user-friendly, it has been partitioned into three categories. The first section provides a narrative of the general nature of the program, an analysis of the geographical distribution of the projects included in the program, a detailed description of the Western Chula

Chula Vista Strategic Themes

Connected, Balanced, and Cohesive Community – Foster a positive and shared community identity; encourage and value public participation; improve citywide mobility; and promote a balanced mix of housing, shopping, and employment opportunities.

Strong and Safe Neighborhoods – Ensure our neighborhoods and business districts are safe and appealing places to live, work, shop, and visit.

Diverse Cultural, Educational, and Recreational Opportunities – Provide a wide-range of cultural, educational, recreational, and economic opportunities that meet the needs and interests of our diverse community.

Economic Development – Foster a positive business climate that attracts new businesses, creates a broad range of employment opportunities, and revitalizes the downtown area.

Cost Effective Government and Fiscal Stability – Focus on achieving results for our citizens by providing exemplary services at competitive prices; balance short-term operational needs with long-term strategic goals; and enhance long-range financial planning to ensure fiscal sustainability.

Vista Infrastructure Program. The second section contains a variety of tables that depict the program from a number of perspectives, including sorting projects by type, location and funding source. This section also contains some historical information and the five-year funding projections for each project contained in the program. The last section, which makes up the bulk of the document, contains detailed descriptions of every active CIP project. Including some that were funded in previous years but are still active. These descriptions include the location, schedule, name of the managing Department and staff person, justification for the project and current status.

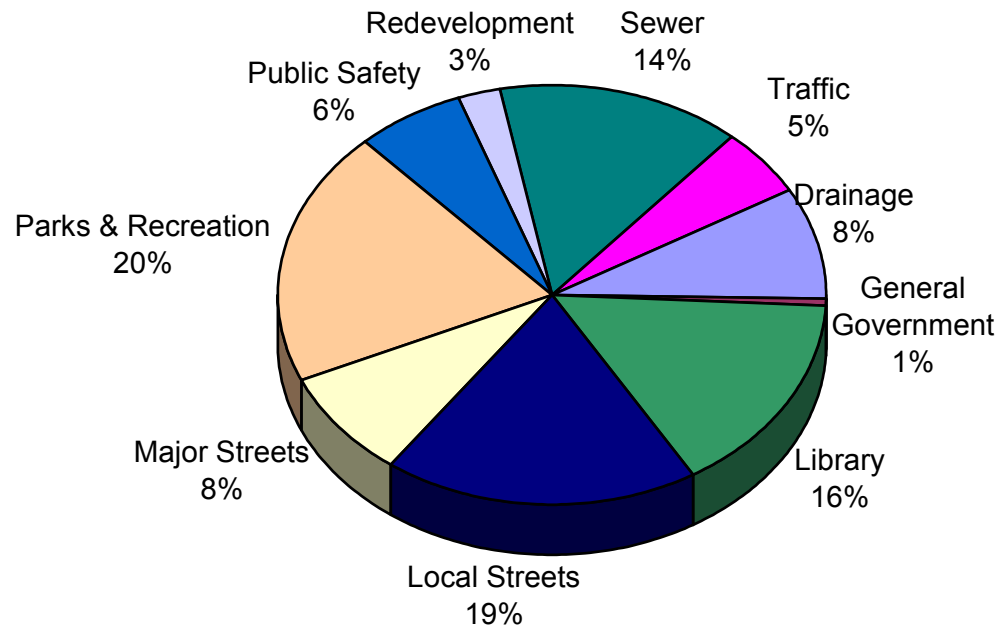
The index includes a comprehensive list of the projects contained in the budget, including the project name, page it can be found on, project number and accounting project number.

FISCAL YEAR 2004 & 2005 EXPENDITURE SUMMARY

The capital budget complements the operating budget by providing funding for major capital projects. The fiscal year 2004 Capital Improvement Program (CIP) plan includes \$42,258,063 in funding, of which \$21,358,063 was appropriated with the adoption of the budget. The remaining \$20,900,000 represents the total of the projects that are contained in the proposed Western Chula Vista Infrastructure Financing Program. The program is described in greater detail in the Budget Highlights section on page 17. For fiscal year 2005 the CIP plan budget totals \$29,234,055 of which \$22,775,551 was appropriated with the adoption of the budget. Council recognizes how crucial it is to maintain our existing infrastructure and make improvements in those areas of the City that have been developed for some time. The CIP budget reflects that recognition and a significant portion of the budget is programmed for rehabilitation/reconstruction projects.

As the City continues to grow and develop, we will continue to strive to utilize our resources in an efficient and economical fashion. As new facilities are developed, whether they are parks, buildings, streets or other facilities, staff will endeavor to make sure that they are designed and constructed in a manner that facilitates energy and water conservation, are maintainable in efficient and cost-effective ways and serve the needs of the City, its residents, businesses and staff.

**CIP by Project Type
Fiscal Years 2004 and 2005**



Building and Park Projects

With the adoption of the fiscal year 2004 budget, the City created the Department of General Services. This new department is a combination of staff from the Office of Building and Park Construction and two sections in Public Works Operations - Construction and Repair and Custodial Services. This reorganization recognizes the operational efficiencies that will be improved by bringing all of the City's building design, construction and maintenance functions together within one department.

It is estimated that the total cost of building construction over the next 5 to 10 years will exceed \$125 million, which includes the renovations to the Civic Center Complex, Rancho Del Rey Library, various recreational facilities, new and renovated fire stations and other projects. Not included in that amount are the following projects – the already completed Public Works Center and Animal Shelter as well as the new Police Facility that will be completed in February of 2004.

The funding sources for these projects will include development impact fees (DIF), community development block grants (CDBG), residential construction tax (RCT), redevelopment funds (RDA), grants and the General Fund.

While not included in the fiscal year 2004 CIP budget, the new Police Facility is the largest City-sponsored construction project in its history. The facility is located at the corner of F Street and Fourth Avenue. Upon the completion of this \$63 million, 140,000 square-foot facility, Chula Vista will have a state of the art police headquarters.

A second major project, which is also not included in the appropriations contained in this budget, is the renovation to the Civic Center. The City entered into a design/build agreement with Highland Partnership in February of 2003 to undertake this project. Preliminary planning and design is underway. This project, totaling \$38 million in costs, includes the expansion and renovation of City Hall, the renovation of the Public Services Building and old Police Facility and the demolition of the Ken Lee Building, Community Development Building and Legislative Office Building. The projects will be undertaken in three construction phases, starting with City Hall. The expected completion date for all phases is July of 2007. These



renovations will bring the buildings into compliance with all applicable accessibility requirements, improve public spaces such as the Council Chambers, public counter areas and outdoor areas and improve the workspace for City staff at the Civic Center.

Another major project is the construction of the Rancho del Rey Library, which will be one of four branch libraries serving the four corners of the City. The 36,392 square-foot facility will be a full-service library, with 170,000 books, audio-visual materials and newspapers and magazines. Besides some 28,000 items in Spanish, there will also be unique cultural heritage collections focusing on Filipino, Pan-Asian and Hispanic cultures in reflection of the community's diversity.

In addition to building construction, the City has embarked on an unprecedented park development and construction program. In the past two years, numerous major neighborhood parks, including Cottonwood Park and Heritage Park in Otay Ranch have been completed. Several other neighborhood parks are currently under construction and will be completed in fiscal year 2004 including Sunset View Park in Eastlake, Harvest Park and Santa Cora Park in Otay Ranch.

During fiscal year 2003, Council approved master plans for three additional major parks in eastern Chula Vista - Veterans Park in Sunbow (pictured on the following page), Monteville Park in Rolling Hills Ranch and Salt Creek Park in Eastlake Trails. These parks all contain recreational buildings. Council approved a design build agreement with Douglas E. Barnhart, Inc. in May of 2003 and design is now underway. As the design of the park and recreation facilities near completion, staff will return to Council for additional appropriations to complete the project. It is anticipated that design/build agreements will be brought before Council early in fiscal year 2004 for Monteville Park and Salt Creek Park.

In addition to the significant park construction in eastern Chula Vista, the fiscal year 2004 CIP budget contains significant funding as a component of the financing plan for western Chula Vista infrastructure projects. Included in that financing package are the reconstruction of Eucalyptus Park and Otay Park, renovations to the Women's Club and the construction of a new park on Oxford Street between Broadway and Industrial Boulevard on property purchased by the City in fiscal year 2003. This property abuts the Harborside Elementary School.

Lastly, the City is in the midst of a comprehensive program of rehabilitating existing playgrounds at parks throughout the City. Major building and park projects that are included in the CIP budget include:

- Architectural needs assessment at the Civic Center Library (\$100,000)

- Eucalyptus Park reconstruction (\$6.0 million)
- Otay Park reconstruction (\$1.5 million)*
- Women's Club renovations (\$450,000)*
- Oxford Street Park development (\$1.5 million)*
- Monteville Community Park, Rolling Hills Ranch (\$1.9 million)**
- Salt Creek Community Park, Eastlake Trails (\$1.5 million)**
- Fire Station No. 6 construction, Rolling Hills Ranch (\$1.3 million)
- Fire Station No. 5 replacement/renovation (\$2.5 million)*

* Part of Western Chula Vista Infrastructure Financing Program
 **Appropriations shown are for pre-construction activities only



VAN DYKE LLP



RBF CONSULTING

SITE



Neighborhood Park at Sunbow

Final Master Plan

12/4/02

Infrastructure Projects

The infrastructure portion of the CIP budget contains significant funding for a variety of infrastructure improvements. As discussed above and elsewhere within the City's budget, a substantial amount of the funding is focused on infrastructure improvement in the western portion of the City.

There are a number of significant infrastructure projects that will be undertaken in fiscal year 2004, which are not a part of this budget but will result in significant improvements for the residents and businesses of the City. The largest of these is improvements to the highway interchange on I-805 at Orange Avenue/Olympic Parkway. This \$21 million interchange will improve accessibility and traffic flow on both Orange Avenue and Olympic Parkway and relieve congestion on I-805, particularly the on and off ramps during peak hours. Construction is expected to begin in the fall of 2003 and will take 18 to 24 months to complete.

Another major project that will be completed in fiscal year 2004, but not included in the budget, is the Salt Creek Trunk Sewer. This major sewer interceptor serves an area stretching from the upper Otay reservoir to the Main Street sewer basin and will connect to the City of San Diego's metro trunk sewer west of I-5. The project, which has been under construction for several years, should be completed early in fiscal year 2004 and the total cost is approximately \$32 million.

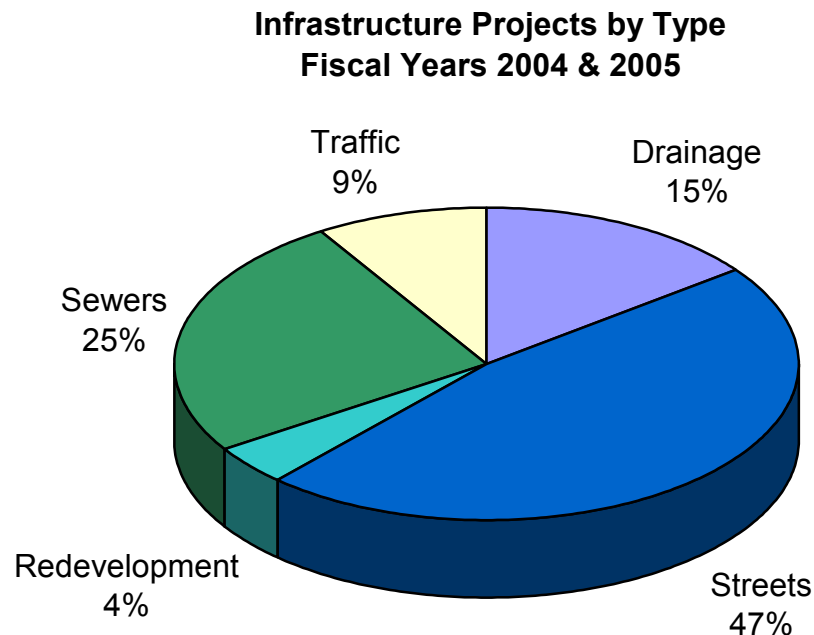
In terms of new projects, two major new initiatives will be undertaken as part of the financing plan for infrastructure improvements in western Chula Vista. The first of these is a \$4.7 million street improvement program targeted at CDBG eligible areas in western Chula Vista, and more particularly, the Montgomery area. This program would provide significant incentives to residents in those areas to form special assessment districts (1911 Act Districts) and have missing street improvements installed. Unlike past practice, residents would be asked to commit to funding only the cost of their driveway apron and not the costs of the new sidewalk, curb, gutter and street widening that has been typical of 1911 Act Districts. Half of this \$4.7 million would be targeted at the Castle Park area of the Montgomery section. The remainder would be available to other streets in eligible areas as residents join together to form cohesive block districts.

The other major initiative is at least a \$3 million effort to rehabilitate/replace existing corrugated metal pipe (CMP) in the western portions of the City. In recent years, the City has established an on-going annual program with varying levels of

funding, generally in the \$300,000 to \$500,000 range for CMP rehabilitation/replacement. While this level of funding has certainly helped the City repair failing CMP, it has not enabled the City to deal effectively with the worst segments of these pipes. This expanded program will allow the City to make a serious dent in the roughly \$14 million worth of CMP that needs to be addressed and will permit the City to repair those segments that are most likely to fail in the near term.

A third major program in fiscal year 2004 will be the annual pavement rehabilitation program. While work is being undertaken on streets citywide, a significant portion of the \$2.9 million project will be focused in western Chula Vista.

The following provides a breakdown of the major infrastructure categories and their funding levels for fiscal years 2004 and 2005.



Capital Equipment

In fiscal year 2004, there will be one major capital equipment purchase, a new ladder truck for the Fire Department. In fiscal year 2003, the City purchased a new ladder truck, pumper truck, and light and air rescue vehicle. In September 2003, a new 13,775 square-foot, state of the art fire station will open at the intersection of Santa Venetia and La Media in Otay Ranch. This station will serve the fast growing neighborhoods of eastern Chula Vista and ensure that existing fire resources are not strained. When completed, this fire station will include four bays and house a new ladder truck (\$757,316 CIP) and pumper truck.



There is no capital equipment included in the fiscal year 2005 budget.

FISCAL YEAR 2004 & 2005 REVENUE SUMMARY

In the fiscal year 2004 and 2005 Capital Improvement Program, there are a number of key funding sources; to follow is a brief description of the most programmed funding sources.

Public Facilities Development Impact Fee

This fee is charged to all new residential, commercial and industrial development. In fiscal years 2004 and 2005 the Public Facilities Development Impact Fee (PFDIF) capital expenditures are \$3.4 million and \$11.0 million respectively. The fee provides funds for eleven project components, including libraries, fire suppression system, and recreation facilities. In any given year, the funds generated by the PFDIF can be utilized for these components. Typically, there are not projects in every category that are funded each year. In the approved Capital Improvements Program budget for fiscal years 2004 and 2005, PFDIF funds are programmed for use on libraries (\$11 million), fire suppression (\$1.3 million) and recreation facilities (\$2 million).

Transportation Sales Tax

Transportation Sales Tax (TRANSNET) funds are derived from sales tax revenues that is collected by the State specifically for use on transportation related projects. The regional metropolitan planning agency, San Diego Association of Governments (SANDAG) programs these funds to municipalities within San Diego County. Revenues vary from year to year depending of the amount of sales tax available to the region and the number and costs of projects for which municipalities request funding. The revenue approved for municipalities is based on the specific cost estimates that are required to be submitted as part of the request for funding. In fiscal years 2004 and 2005 Transportation Sales Tax capital expenditures are \$3.8 million and \$4.5 million respectively. The following projects are included as part of the Capital Improvement Program: street widening on Palomar Street (\$.75 million), pavement rehabilitation (\$6.45 million), and North Broadway construction (\$1.1 million).

Transportation Development Impact Fee

The Transportation Development Impact Fee (TDIF) is charged to all new development in the geographical area of eastern Chula Vista; the fee is utilized to fund specific street and highway improvements in eastern Chula Vista that are required due to new development. In fiscal years 2004 and 2005 the TDIF capital expenditures are \$1.2 million and \$3.2 million respectively. The fee is based equivalent dwelling units (EDU); a calculation of the number of EDU's created by a specific development occurs when the new development is approved and the amount of the fee is determined. The TDIF fee is calculated to fund approximately \$184 million of street and highway improvements. These improvements will occur over an extended period of time, possibly up to 20 years. In fiscal years 2004 and 2005, some of the projects funded from the TDIF include the I-805/H Street improvements, Palomar Street/I-805 interchange, and Otay Lakes Road widening.

Residential Construction Tax

The Residential Construction Tax (RCT) is paid in conjunction with the construction of new residential dwelling units at the time of building permit issuance. In fiscal years 2004 and 2005 RCT capital expenditures total \$1.5 million and \$0.8 million respectively. The funds can be utilized for a variety of municipal purposes including infrastructure improvements, park and recreation facilities and other capital improvements. In fiscal years 2004 and 2005, RCT revenues will be used for eighteen different capital projects including drainage improvements, street improvements, installation of street lights, parking lot renovations, building projects and parks and recreation capital projects.

Community Development Block Grants

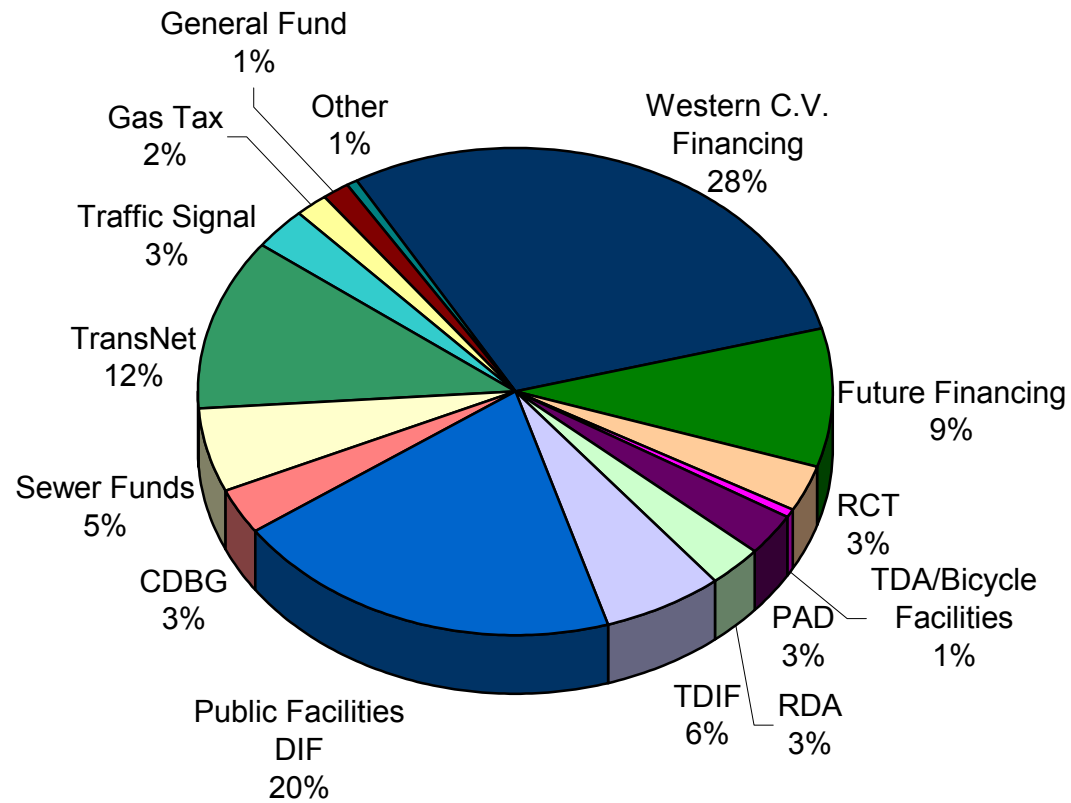
Community Development Block Grants (CDBG) are funds the City receives from the United States Department of Housing and Urban Development (HUD). With respect to capital improvement projects, the funds are predominantly utilized to make improvements in areas that meet HUD income criterion; for fiscal years 2004 and 2005 they represent \$1.1 million and \$1.0 million respectively. The funds are targeted at census tracts and blocks that have average income levels below most areas of the City. In fiscal years 2004 and 2005, ten projects are to be funded with CDBG funds; these projects include drainage improvements, street and sidewalk improvements and the reconstruction of an existing fire station.

Western Chula Vista Financing Program

The largest single funding source in the fiscal year 2004 CIP budget is a debt-financing program that will address numerous projects in western Chula Vista. This program and its funding components are discussed in detail in the budget highlights section. In brief, staff has identified two potential funding sources that could be utilized to accelerate infrastructure development in western Chula Vista. The first source of funding, \$11.9 million, is the City's ability to borrow funds through the United States Department of Housing and Urban Development's (HUD) Section 108 Loan Program. The Section 108 Loan Program is a very attractive financing mechanism due to the historically low interest rates that are available. The second source of funding, \$9 million, is the revenue derived from the City's Residential Construction Tax (RCT). Unlike development impact fees, this revenue source, while dependent principally on new development, is not limited to use in just those areas where the permits are being obtained and is not restricted to specific purposes such as streets or sewers.

The following chart summarizes the funding sources for the Capital Improvement Program for fiscal year 2004 and 2005

**Key Funding Sources by Category
Fiscal Years 2004 and 2005**



BUDGET HIGHLIGHTS

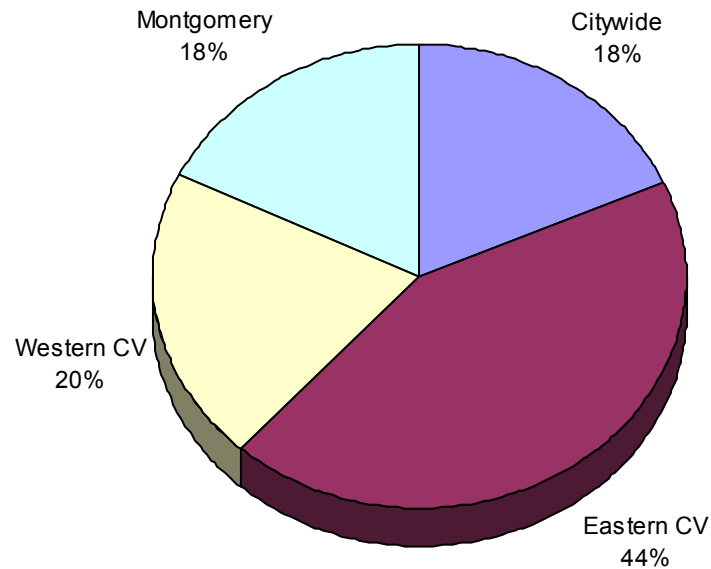
CIP PROJECT GEOGRAPHICAL BALANCE

Council has indicated that one of its primary goals in the coming years is a renewed focus on capital and infrastructure needs in the western portion of the City. For this discussion, the term western refers essentially to those areas of the City west of Interstate 805. As a sub-area in the western portion of the City, the projects that are specific to the Montgomery area are broken out separately. Also, a category of projects has been developed that is called Citywide. The types of projects that are typified by Citywide are the annual pavement rehabilitation program, sidewalk rehabilitation program, ADA Curb ramp program, CMP rehabilitation/replacement and sewer facility rehabilitation program.

As the eastern portion of the City continues to rapidly develop, there is a substantial need for infrastructure improvements. As the budget indicates, eastern Chula Vista will see a significant amount of capital funding in fiscal year 2004 and fiscal year 2005. The actual amounts proposed for the four geographical areas are depicted below:

Location	Fiscal Year 2004	Percentage	Fiscal Year 2005	Percentage
Citywide	\$8,052,858	19%	\$5,080,118	17%
Eastern CV	\$10,342,734	24%	\$20,752,504	71%
Western CV	\$11,309,171	27%	\$3,293,167	11%
Montgomery	\$12,553,300	30%	\$208,266	1%
Total	\$42,258,063	100%	\$29,334,055	100%

**Capital Improvement Program by Location
Fiscal Years 2004 and 2005**



Given the nature of the citywide projects, it is safe to say that 75% of those expenditures typically occur in western Chula Vista though this can change from year to year. Assuming that 75% holds true, then 70.8% of the capital expenditures programmed for fiscal year 2004 are earmarked for western Chula Vista and Montgomery. This percentage appears to drop precipitously to 25% in Fiscal Year 2005, however, this is somewhat misleading as half of the eastern Chula Vista amount is made up of the Rancho Del Rey Library, which will provide services to all City residents just as the South Chula Vista Library and Main Branch of the Library are utilized by residents from all parts of the City.

It must also be noted that the eastern Chula Vista projects are overwhelmingly funded by development impact fees thus leaving significant revenue streams available to fund projects in the western portion of the City. A graphical depiction of the fiscal year 2004 location spread of projects can be found on page A-21.

WESTERN CHULA VISTA INFRASTRUCTURE FINANCING PROGRAM

To focus on infrastructure in western Chula Vista, a non-traditional approach needs to be developed. Funding sources such as development impact fees are available for facilities like streets, parks and public safety facilities in eastern Chula Vista. However, those revenue streams are generally not available for use in western Chula Vista, especially with respect to streets and parks. Without those funds, the City has generally relied on more traditional funding sources for capital improvements in the western portion of the City. These same sources often are utilized to fund many of the City's operational activities; therefore, less is available for capital purposes.

As staff started to investigate possible funding scenarios to implement Council's desires to focus on western Chula Vista, the traditional "pay as you go" method clearly would fall short of Council's vision. On top of this, the budgetary challenges facing the City, especially with the uncertainty of the state's budget situation and how that will impact the City, presents a significant hurdle to accomplishing the City's goals.

With this backdrop, efforts to identify potential methods in which infrastructure in western Chula Vista could be financed without impacting the City's General Fund and causing operational/programming reductions. It became clear fairly quickly that there were two potential funding sources that could be utilized or "leveraged" to accelerate infrastructure development in western Chula Vista.

The first source is the City's ability to borrow funds through the United States Department of Housing and Urban Development's (HUD) Section 108 Loan Program. Essentially, the City can borrow up to five times its annual Community Development Block Grant (CDBG) entitlement for CDBG eligible projects. Generally speaking, CDBG eligible projects are those types of infrastructure projects that are located with US Census tracts that are found to be eligible for CDBG funds based principally on income levels within the tracts. In western Chula Vista, virtually all of the Montgomery area and some other tracts are CDBG eligible. These areas are also eligible for other types of funding including redevelopment grants or loans that are discussed in greater detail later in this section.

The second source of funding is the revenue derived from the City's Residential Construction Tax (RCT). This is a tax that is paid when building permits are obtained for new residential structures or hotels/motels. Unlike development impact fees, this revenue source, while dependent principally on new development, is not limited to use in just those areas where the permits are being obtained and is not restricted to specific purposes such as streets or sewers. In fact, RCT has historically been utilized for a wide range of uses from equipment replacement on City buildings, traffic signal alterations, street improvements, park facilities, and drainage improvements. Because of its dependency on new residential building permits, RCT is a less stable revenue source than the Section 108 funds and is susceptible to reductions in times of economic downturns.

Once these sources were identified, the extent to which they would be utilized needed to be determined. With respect to the Section 108 program, the maximum loan amount is capped at five times the City's CDBG entitlement, therefore, it was easy to determine what the impact would be if the City utilized the maximum amount permitted. One of the principles staff utilized was not to have the annual debt service on these financing sources exceed what the City typically budgeted from these funding sources for capital purposes. In fact, it was staff's desire to keep the annual debt service well below the typical budgets so that the City would still have some flexibility in capital budgeting in the future.

With respect to the RCT portion, staff is keenly aware that should development activity slow down significantly, the City's General Fund will be required to meet any portion of the annual debt service payment. For this reason the amount proposed to be financed by RCT results in annual debt service payments that are roughly half of the revenue the RCT fund has generated in recent years.

To follow is a detailed description of both the Section 108/CDBG and RCT components of the financing plan and the projects that these funds are proposed to undertake.

SECTION 108/CDBG COMPONENT

One of the major advantages of the Section 108 loan program is the exceptionally low interest rates available. HUD bases the interest rate of these loans on an index known as the Three Month London Inter Bank Offer Rate (LIBOR), plus 20 basis points (.20%). Throughout the winter and into the spring of 2003, this rate has been in the area of 1.3% to 1.5%. With the additional 20 basis points, the expected rate on a new Section 108 Loan would likely be less than 2%. The LIBOR rate is a relatively stable rate; therefore it is unlikely that there would be any significant upward or downward movement of the rate over the next few months.

With the \$11.9 million loan, which is the maximum the City could leverage, the annual debt service assuming, an interest rate of 1.59% (higher than the actual rate would be for a loan closing on May 14, 2003), would be approximately \$700,000 based on a twenty-year loan. This debt service falls well below the typical amount of CDBG fund that the City budgets annually for capital purposes, \$1.14 million in fiscal year 2004.

The projects that the City intends to fund with this \$11.9 million are:

1.	Major Street Improvement Program/Assessment District Program	\$4.70 million*
2.	Fire Station No. 5 Replacement/Rehabilitation	\$2.40 million
3.	Oxford Street Park Development	\$1.50 million
4.	Eucalyptus Park Reconstruction	\$3.30 million

* 50% of these funds would be targeted to a specific geographic area discussed below. The remainder would be available to CDBG eligible areas where residents form assessment districts.

In conjunction with the Major Street Improvement Program/Assessment District Program, the Community Development Department will establish a targeted program to include not only street improvements but also a Neighborhood Revitalization Program (NRP) for the Castle Park neighborhood. Of the proposed \$4.7 million in street improvements, 50% or \$2.35 million will be targeted to the Castle Park neighborhood. Additional funding opportunities will be available through the NRP as described below.

Castle Park Neighborhood Revitalization Program

The Concept

The Neighborhood Revitalization Program (NRP) is a unique effort by the City of Chula Vista to change the future of its neighborhoods, making them better places to live, work, learn and play. Partnering and priority setting are at the heart of the NRP.

Residents and other neighborhood stakeholders identify and address resident concerns in partnership with City staff and others by developing a Neighborhood Action Plan. In addition, residents form an Assessment District through which they request assistance to make necessary infrastructure improvements. Resources are designated to the target area that will assist in implementing infrastructure, property, landscaping and streetscape improvements.

The Goals

- Create a greater sense of community so people who live, work, learn and play in the NRP area have an increased sense of community and confidence in their neighborhood and City.
- Sustain and enhance neighborhood capability in order to strengthen the civic involvement of all members of the community.
- Strengthen the partnerships among neighborhoods and the City to identify and accomplish common goals.

The Process

The NRP utilizes a seven-step process to help residents define their neighborhood priorities to prepare their Neighborhood Action Plan and form the assessment district. In cooperation with City staff, residents:

1. Submit a signed petition to form the assessment district
2. Develop a participation agreement
3. Build a diverse citizen participation effort and gather information
4. Draft a plan

5. Review and approve the plan at the neighborhood level
6. Submit plan to community development department for review, approval and funding
7. Implement the plan

The Neighborhood

The Castle Park Neighborhood Revitalization Area is bounded by Naples Street to the north, Palomar Street to the south, Third Avenue to the west and Tobias on the east. This area was identified for the following reasons:

1. It serves as a continuation of the targeted street sections identified for street improvements.
2. Naples Street serves as a link from residential neighborhoods in the Hilltop area to large commercial centers on Broadway and Third Avenue.
3. The neighborhood is located within walking distance of several schools and has heavy pedestrian traffic.
4. The City's existing housing rehabilitation program has assisted several homeowners within this neighborhood, and continues to receive new requests for assistance from within the area.
5. Homeowners are investing in their properties by renovating and making significant exterior improvements and modifications.
6. New construction is occurring within the neighborhood, a single-family for-sale development was built on Naples and Tobias.



The Funding

The NRP, as a major component of the HUD Section 108 program, will have funds allocated directly to the target neighborhood. Additional funds from other sources will also be allocated.

1. HUD Section 108 - \$2.35 million for drainage and sidewalk improvements and \$600,000 for landscaping in conjunction with property improvements.
2. CHIP - \$500,000 for owner-occupied home improvements.
3. Jobs to Housing Funds - \$500,000 for property improvements.

Project Descriptions

Major Street Improvement Program/Assessment District Program

In February of 2000, Engineering prepared a study of the street network in the Montgomery area and analyzed the improvements that would be needed on each street to bring it up to City standards. Discounting the cost of drainage improvements, the cost of bringing every street up to standards is over \$34 million. Included in this figure is the cost of street widening, sidewalks, curbs, gutters, driveway aprons, value of right-of-way, special circumstances such as retaining walls and the costs to design and inspect the work.

For many years, it has been the City's policy that the methodology utilized to construct these "missing" improvements on specific streets is the creation of special assessment districts, also known as 1911 Act Districts. Under this policy, property owners on a specific block would get together and submit a petition to the City asking that the City consider creating such a district. In these districts, it has been typical that the property owners would be responsible for the costs associated with the sidewalk, curb, gutter, driveway apron and street widening. Upon receipt of a petition, the City, specifically Engineering, performs preliminary analysis to determine the feasibility of the project and estimated costs of the work. Once this preliminary analysis and estimates are developed, the property owners are provided with this information. Included with this information are the expected assessment costs per parcel. These costs are generally applied through a front footage calculation. The City would "front" the funds to undertake the project and the property owners are able to finance their individual shares over ten years (up to 7% interest by Code), pay the assessment outright or have a lien placed against their property.



Engineering then holds a meeting for all the property owners on the block at which the project is described; the funding plan explained and a “preliminary vote” would be taken. This preliminary vote is non-binding. It allows Engineering to assess the likelihood of whether a district would ultimately be created. Assuming a positive result from the preliminary vote, Engineering then moves on to final design and sets the wheels in motion for the formal creation of a district. Once the plans are finalized, the actual assessments are presented to the property owners and a formal vote is held with the results announced at a City Council meeting. Assuming a positive result, the appropriate Council actions are undertaken to form the district, levy the assessments and award a contract to do the work.

In the western portion of the City, and in the Montgomery area specifically, there have been very few of these districts formed. It is not due to a lack of interest on the part of the residents of this area, but more likely simply an economic reality. The typical costs for a homeowner in a district in this area can be upwards of \$12,000.

This policy is a common way for municipalities to handle this type of situation as it does provide a fair and equitable manner to finance these types of improvements. This policy is also consistent with newer areas of the City where all of these improvements are part of the required street improvements and are constructed by developers and eventually paid for by the buyers of new residences in those areas. Unfortunately, the areas where these types of street improvements are needed were developed when the full complement of improvements were not required and often are the areas with the lowest income levels. Therefore, the homeowners are least able to afford the annual assessments.



During the course of 2002 and early 2003, the residents of Quintard Street, between 3rd Avenue and Orange Avenue approached the City with respect to forming a district. During the preliminary stages of the project, the residents raised the issue that the City's construction of the South Chula Vista Library had dramatically increased the level of pedestrian traffic on Quintard Street, which has no sidewalks. While lack of sidewalks have always been a problem, the presence of the library has altered pedestrian traffic patterns and the residents logically argued that the City should alter its typical assessment district policy and pay for the costs of the sidewalk, curb and gutter. The City is moving forward on the Quintard Street district formation under that proposal. Construction is expected to commence within the next few months.

As the historical policy has not yielded very good results, with only three districts (Oxford Street between 4th Avenue and 5th Avenue, Twin Oaks Avenue between Naples Street and Emerson Street and the new Quintard Street district) being formed in the Montgomery area in the past decade, the idea of establishing a temporary funding plan utilizing the Quintard model started being discussed by staff. Essentially, the idea is to establish a fund, \$4.7 million under this plan, and offer to those residents that can successfully garner the support of their neighbors the ability to participate in an assessment district program where they would be responsible only for the costs of their individual driveway aprons. This would reduce the property owners' share to approximately \$2,500 depending on the driveway width. As discussed above, 50% of the \$4.7 million would be targeted to the Castle Park NRP. With respect to the remaining 50%, those funds would be made available to residents within the Montgomery area that can successfully create assessment districts. If the 50% targeted to the Castle Park NRP are expended, remaining blocks in the NRP can utilize the non-targeted 50% should they be able to form districts.

It is suggested that a window of four years be placed on these funds. It would be expected that if not enough districts were formed to spend down the \$4.7 million in four years, then the remaining funds would be utilized for other CDBG eligible infrastructure improvements on the west side of the City. At the expiration of the time period or the exhaustion of the funds, the assessment district process would revert back to the current City policy. This would provide a significant enticement to residents to band together to form districts and have their streets upgraded at significantly lower costs to the residents. It should also be noted that the values of the properties on the streets where these improvements are constructed are substantially enhanced, often increasing well beyond the actual cost of the improvements to the property owners.

It should be noted that the \$4.7 million figure was not arrived at via a technical or scientific method. Assuming a cost of from \$300,000 to \$400,000 per City block, this would provide funds for 10 to 15 districts. Given the lead-time needed to

form a district and the coordination that property owners will need to develop to move forward, this seemed a reasonable estimate of what could be done in four years. It would be a very positive accomplishment to see a large group of potential districts get formed to utilize the funds. Since the City has had little success in terms of the creation of a large number of districts under the current system, it is certainly an unknown as to how this proposal will be received in the community. Also, it is proposed that the funds to be utilized would be the Community Development Block Grant (CDBG) Section 108 Loan, therefore, only those census tracts with income levels that qualify for CDBG funding would be eligible.

Fire Station No. 5 Replacement/Renovation



Fire Station No. 5, located at the corner of Oxford Street and Fourth Avenue in Montgomery, was originally constructed in 1957. The station was expanded in 1972 and has seen little in way of improvements since then. The station is undersized, but is located in the proper location in terms of its service area.

The adopted CIP Budget for fiscal years 2002 and 2003 identified the need for the replacement of the current station, but a funding source was not identified. The station is not a DIF eligible facility; therefore, the potential funding sources are essentially limited to General Fund, CDBG or RCT. The fiscal year 2004 budget includes \$150,000 of CDBG funds to perform the necessary programming and site analysis for the new facility.

The site analysis will need to not only address how to site the new facility within the existing property but also how to provide the station with a temporary facility during construction. This is a crucial issue and will take some time to get through, as it is not immediately clear whether a temporary facility can be located on the same property during construction.

Oxford Street Park Development

In February of 2003, Council approved the purchase of approximately five acres of property on the north side of Oxford Street between Broadway and Industrial Boulevard. It is the intention of the City to develop this property as a neighborhood park. The conceptual plan of what the park will contain is as follows:

1. Multi-purpose sports field
2. Skate area
3. Tot Lot
4. Playground equipment
5. Two basketball courts
6. Open turf areas
7. Pedestrian pathways connecting to the street and the neighboring elementary school
8. Picnic shelters
9. Various site furnishings
10. Off-street parking spaces

The purchase price of the property was \$2,276,475. It is estimated that the development costs of the park will be approximately \$1,500,000. For the purposes of this plan only the development costs are included.

Eucalyptus Park Reconstruction

In August of 1998, the City, with the assistance of a consultant, developed a draft Master Plan for Eucalyptus Park. This effort looked at the current conditions of the park and made recommendations for both renovations and the addition of new amenities. The master plan proposed the following:

Upper Park

1. Provide new concession stand/storage area, scoreboard, bleachers and lighting
2. Relocate and construct a new restroom
3. Redesign and upgrade the parking lot
4. New backstops, dugouts and fencing for the ball fields
5. New site furnishings
6. New irrigation and landscaping

Lower Park

1. Address the slope between the upper and lower park
2. Relocate the ball field
3. Provide new backstop, dugouts, bleachers, lighting and site furnishings
4. Relocate playground
5. Relocate the tennis courts
6. Relocate and redesign the parking lot for additional spaces and improved circulation
7. Design new entries at the corners of Fourth Avenue and C Street and at Fifth Avenue and C Street
8. Grading and drainage redesign to raise the elevation of the lower park and address groundwater/flooding issues
9. New parking lot lighting, security lighting and accent lighting
10. New irrigation
11. New concrete paths through the park
12. New handicapped accessible walkway and stairs from upper park to lower park
13. Two (2) new basketball courts
14. Six (6) new horseshoe pits
15. Design and construct a new restroom/maintenance building



16. New landscaping along channel

17. New site furnishings, bicycle racks, benches, picnic shelters with BBQ's, trash receptacles, etc.

The estimated cost of these improvements, including design services was estimated at \$4.7 million in the draft master plan. One assumption that was made in the draft master plan was that the existing YMCA facility would be available to be utilized as a public works maintenance satellite facility. It appears that this assumption was incorrect. It is anticipated that a new maintenance facility will be included in the project, thus increasing its cost. It should be noted that the City will need a satellite park maintenance facility in the western area to replace the maintenance storage space at the former Corporation Yard. City staff is utilizing a preliminary budget figure of \$6 million as for this project. \$3.3 million of the cost will be borne by the CDBG element of the plan and the balance of the costs be funded through the RCT portion.

RESIDENTIAL CONSTRUCTION TAX COMPONENT

The Residential Construction Tax (RCT) component to the funding plan, while quite viable, does carry some risk to the City. RCT is a tax paid at the time of issuance of building permits for new dwelling units, hotels/motels. The base rate for a single-family dwelling is \$450 and is adjusted higher for additional bedrooms.

The obvious issue is that the RCT revenue is directly tied to new residential and hotel/motel development in the City. Over the past three fiscal years (including projected revenues in Fiscal Year 2003) the average revenue generated by RCT, not including interest earnings is \$1,262,069 per year.

Under this program, it is proposed that the City borrow \$9 million through a typical financing and designate the RCT in future years to fully reimburse the General Fund for the debt service payments. The term of this financing is proposed to be thirty years. Staff utilized an interest rate of 5% for budgetary purposes to calculate the annual debt service, which would be \$585,463. As can be seen, this debt service is roughly half of the average annual revenue over the past three years. This means that development of new residential and hotels/motels would need to drop by more than half before the RCT revenues would not be sufficient to meet the debt service payment. During the course of the thirty year program, it seems likely that development will drop below those levels, but that date certainly appears to be quite far into the program based on current development demands and expected future plans. Short of a major collapse in the new housing market it does not seem likely that the RCT would not be able to cover the debt service in the foreseeable future.

The RCT fund is currently utilized exclusively for capital improvement projects. The funds are not encumbered to specific types of projects or areas like many other capital projects such as gas tax, sewer funds, and DIF. In point of fact, the RCT, in the past few years has been utilized extensively on both park and drainage projects. In this program we propose to fund the entire drainage component and the remaining parks, Eucalyptus, Otay Park and Woman's Club, from the RCT funded portion. Staff believes that even with the enacted caps on building permits in eastern Chula Vista over the next three years, there will be sufficient RCT revenues to meet the annual debt service requirements.

Listed below are the projects that are to be financed from the RCT component:

1. Eucalyptus Park Reconstruction	\$2.70 million
2. Corrugated Metal Pipe (CMP) Replacement/Rehabilitation	\$3.00 million
3. Drainage Improvements on Emerson Street	\$0.74 million
4. Other Drainage Improvements	\$0.62 million
5. Otay Park Renovation	\$1.50 million
6. Women's Club Renovation	\$0.45 million

Project Descriptions

Eucalyptus Park Reconstruction

The Eucalyptus Park Reconstruction project includes funding from both Section 108/CDBG and RCT. This project is described with the Section 108/CDBG projects.

Drainage Issues/CMP Replacement/Rehabilitation

There are a significant number of drainage projects in the western portion of the City that need to be addressed. The single largest group of projects is the rehabilitation or replacement of CMP throughout the City. CMP was a typical pipe utilized in the past for all sorts of drainage projects. While not necessarily inherently bad, CMP is much more prone to failure than the kinds of pipe that the City now utilizes for drainage projects, i.e., concrete pipe or plastic derivative pipes. CMP, by its nature, is subject to corrosion and with that, weakening of the structure of the pipe. This corrosion can occur by the water that runs through the pipe, by the presence of water in the trench where the pipe lies and/or the nature of the

underlying soil conditions. This water, especially in areas of gentle grades, can lay in the pipe or the trench and cause the typical corrosion that untreated metal surfaces display when constantly exposed to moisture. A typical failure of a CMP can be seen when a formerly round pipe starts to flatten into more of an egg shape or the bottom of a CMP can corrode to the point where significant holes start to appear. In either case, the structural integrity of the CMP becomes compromised. As this process evolves, soil around the pipe gradually erodes and large subsurface cavities are formed. These cavities can eventually become sinkholes. This failure often results in the collapse of the area immediately above the pipe. All facilities and structures above the pipe are thus damaged and, in some cases, areas related to those facilities and structures, but not directly above the CMP, are also negatively impacted.

In recent years, the Engineering Department has been addressing the CMP issue by requesting funds in the Capital Improvement Program Budget. This approach, while allowing some progress to be made, has only made a small dent in the total amount of CMP that needs to be addressed. It should be noted that not every CMP is in immediate danger of failure. Engineering has developed a comprehensive inspection program of the City's CMP and has quite a good handle on the condition of the many segments of CMP. Through this inspection program, Engineering has been able to develop a priority list of CMP segments that need to be addressed sooner rather than later. Unfortunately, while this program has likely enabled the City to avoid possible emergency situations due to the failure of some CMP, we have also learned that some CMP can degrade more rapidly than others depending on the surrounding soil conditions. Due to this potential for failure, it has been Engineering's desire to embark on a much more comprehensive CMP rehabilitation/replacement program. Over the past few years, approximately \$400,000 to \$500,000 has been budgeted annually for CMP work. Due to a number of failures during those years, the City has been forced to do some work on an emergency basis. This emergency related work is done without the benefit of competitive bidding; therefore, the City has not really been able to fully utilize the budgeted funds as it would have liked.

In this financing program, it is projected that \$3.0 million would be targeted to CMP rehabilitation/replacement projects. While this amount will not enable the City to deal with all of its 22+ miles of known CMP, it will provide Engineering with a substantial ability to focus on those segments that pose the greatest risk for failure. It is expected that after the \$3.0 million is exhausted, an annual funding program would continue to deal with the remaining CMP.

Also included in the drainage work is the installation of drainage improvements on Emerson Street from Elm Avenue to west of Third Avenue. This area is subjected to significant flooding which will be eliminated with this work. Beyond the Emerson Street project, there are a number of other existing drainage projects that could be undertaken as part of this

financing. Issues such as right-of-way acquisition may play a role in those projects. Engineering may opt to utilize the remaining drainage targeted funds on one or more of these projects or on additional CMP replacement/rehabilitation.

Otay Park Renovation

Otay Park is a 4.2-acre facility that was originally constructed in 1974 adjoining the Otay Recreation Center. The park currently contains turf areas, walkways, playground equipment, picnic tables and a restroom. The City adopted a master plan for the park in 1994. The master plan calls for the following improvements:

1. Upgrade of the athletic field areas.
2. Installation of a landscaped buffer.
3. Construction of an elevated platform.
4. Construction of new children's play areas.
5. Construction of a new restroom.
6. Construction of a new picnic area.
7. New site furnishings.



In 2002, the City applied for a State Recreation Grant to implement the master plan. Unfortunately, this grant was not obtained. Due to the extremely poor condition of the existing restroom facility, the City proceeded forward on the construction of the new restroom, in conformance with the master plan. The total costs of the improvements were estimated at \$1.7 million. With the implementation of the restrooms as a separate project, the budget figure staff has utilized for this park is \$1.5 million.

Woman's Club Renovations

In January of 2003, the City engaged the services of an architectural consultant to perform an analysis of the Woman's Club building from both a structural and code compliance point of view and provide a report back to the City with any modifications that are needed and the costs of those modifications. The building was constructed in 1928 and is

designated as an historic structure. The architectural analysis provided numerous recommendations for modifications to the building. The major items are as follows:

1. Remove items such as exterior doors, exterior rotted wood columns, rotted wood roof decking and rotted wood trim.
2. Remove kitchen floor covering.
3. Remove some of the kitchen cabinetry.
4. Remove restroom fixtures.
5. Remove restroom floor and wall finishes.
6. Remove other miscellaneous items.
7. Build a new addition with handicapped accessible restrooms in the northeast corner of the building.
8. Install new plumbing and restrooms and kitchen.
9. Install new forced air furnace for the new addition.
10. Install new cooling unit for air conditioning of the assembly space, stage, Board Room, kitchen and restrooms.

In addition to these items there are roughly thirty other items that should be addressed. The projected cost of the entire improvement program is \$352,938. This cost did not include architectural services or other soft costs. For the purposes of this program, the budget for this project is estimated to be \$450,000.

Western Chula Vista Financing Program Conclusion

This financing program, while clearly not solving all of the infrastructure issues in western Chula Vista, makes serious inroads into those deficiencies. It provides a broad spectrum of improvements and will position the City and the area to develop some momentum both from an infrastructure improvement perspective but also a redevelopment perspective as well.

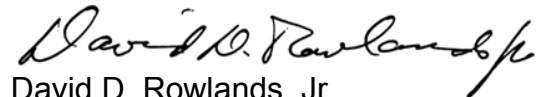
ACKNOWLEDGEMENT

The development of the fiscal years 2004 and 2005 Capital Improvement Program was a collaborative effort of staff of virtually every department in the City. Early in the process, departments were asked to assign a "departmental liaison" to coordinate their respective department's CIP projects. This collaborative effort has resulted in a well planned, well organized and, most importantly, doable capital improvement program that will benefit the citizens of Chula Vista for years to come. The following staff made this document possible:

Community Development	Judy Atwood and Diem Do
City Clerk	Susan Bigelow
Engineering	Cliff Swanson, Frank Rivera and Jeff Moneda
Finance	Evelyn Ong and Rob Toms
Fire	Iracsema Quilantan and Jim Geering
Library	Paula Brown
MIS	Tom McDowell and Rick Nelson
Planning and Building	Bob McSeveney
Police	Ed Chew
Public Works	Bob Beamon, Larry Eliason and Rick Matkin
Recreation	Shauna Stokes

I would like to recognize Jack Griffin, Assistant Director of Building and Park Construction for his excellent service and guidance in the development of this budget. I would also like to thank Bob Blackwelder in MIS and Charline Long in the Office of Building and Parks Construction. Bob did tremendous work in updating the CIP program and incorporating the many changes that were requested. Charline spent many hours gathering information, compiling it and putting it into the easy-to-use format that follows.

Respectfully submitted,



David D. Rowlands, Jr.
City Manager

BUDGET DEVELOPMENT

BUDGET PROCESS

The City of Chula Vista Capital Improvement Program Budget is prepared in accordance with generally accepted accounting principles. The preparation of the CIP is a total team effort, involving several staff members from almost every department in the City. The team is informed of the City Council's stated strategic themes for programming of funds for the capital projects. Emphasis is placed on the desire to balance both the types of projects and the geographical locations where projects would be funded in order to meet the needs of the City and its residents, businesses, and visitors. Significant funding is dedicated to on-going infrastructure rehabilitation projects, including streets, sidewalks, sewers, and storm drains. As these projects occur Citywide they are part of a comprehensive process that the City uses to identify priorities. Most notably in the fiscal year 2004 budget, is the Corrugated Metal Pipe Rehabilitation Program directly relating to Council's desire to increase public safety throughout the City.

Several months before the Capital Improvement Program is scheduled to go to the City Council for approval team members are given the necessary worksheets and budgeting parameters for each department's specific projects. The departments then meet internally to: 1) identify their proposed projects; 2) discuss possible revenue sources for each project; and 3) establish a realistic budget for each project including costs for planning, land acquisition, design, construction, staff time and ongoing operating costs.

Once the individual department has completed this process, the more than 200 proposed project worksheets are forwarded to the General Services Department where the worksheets are categorized, analyzed, and evaluated for funding and budget requirements. The next step is a review of how well the project meets the Council's strategic priorities.

As soon as this initial evaluation is complete and drafts of each proposed project are produced, a meeting is set-up with the department's project manager for review and discussion of every proposed project. This process clearly identifies the department's need, the status of the project - if previously funded, revenue possibilities, the proposed budget, and the project's priority status.

At this juncture the arduous task of assigning revenue sources, refining budgetary requirements, detailing a 5-year funding projection, and analyzing each project is accomplished. Once this process is complete the information is entered into an Access Database program that has been designed by our MIS Department whose goal was to create a Capital Improvement Program (CIP) document that was user-friendly and integrated into the City's overall budget program.

USE OF TECHNOLOGY

The City of Chula Vista prides itself on being at the forefront of utilizing the latest in technological development; the Capital Improvement Program (CIP) is no exception.

In the early development stages of producing a comprehensive Capital Improvement Program (CIP) reporting venue, a decision was made to integrate as much information as possible into the report. Incorporating an analysis of the geographical distribution of the projects; sorting projects by type, location, and funding source; and detailed descriptions of every active CIP project. Thus allowing staff, City Council, and the business and development community the ability to refer to the numerous capital improvement projects at any given time.

In 1990 a resolution was adopted to fund the implementation, housing, and management of the Geographic Information System (GIS) that gave the City the ability to use geography (individual parcel, planning area, city block, etc) as a common denominator for the review and analysis of data from a number of different sources that crosses departmental lines, such as streets sewers, drainage systems, street trees, street lights, traffic signals, zoning, assessment districts, fire hydrants, etc. This information, retrieved in graphic form, is then utilized by the CIP report to visually display exact locations of projects being funded by the Capital Improvement Program.

The GIS runs on microcomputer-powered graphic query stations linked by a local area network to a single file-serving processor managing an integrated database. The GIS system provides for the integration of maps and geodata, allows maps and related data to be shared, and produces coordinated maps, drawings, tables, and textual reports meeting specific geographic needs of the user departments.

The financing portion of the report is provided by the Integrated Financial Accounting System (IFAS) utilized by the Finance department as their complete interactive financial system that reports timely, accurate, user-formatted

information, along with full capabilities for on-line inquiry, report data extraction, and ad hoc reporting. IFAS is an approved fund accounting system by the American Institute of Certified Public Accountants.

The database portion of the report is an Access based program designed by our MIS and CIP staff that effectively manages and displays the details of the capital improvement projects. Information gathered for the database is provided by the originator of the capital improvement project, detailing the project title, number, account number, department, and project manager; the cost estimates and projections for five years; and the description, justification, scheduling, status, and budget effect.

The final report is a compilation of the GIS state-of-the-art information, the IFAS financing data, and the Access database producing an attractive, comprehensive, user-friendly paper-based document as well as an on-line, web-based application.